

Message Text

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ACTION EUR-10

INFO OCT-01 ISO-00 EURE-00 PM-03 NSC-07 SP-02 SS-20 RSC-01

L-01 INRE-00 CIAE-00 INR-05 NSAE-00 SAJ-01 MC-02

ACDA-05 EB-04 TRSE-00 OMB-01 DRC-01 SSO-00 NSCE-00

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O R 111629Z OCT 74

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC IMMEDIATE 0000

SECDEF WASHDC//ASD:ISA (SA)/DSAA IMMEDIATE

INFO DEPT OF COMMERCE, WASHDC

CSA WASHDC

CDR USAMC, WASHDC

CDR MICOM, REDSTONE ARSENAL, AL

USCINCEUR, VAIHINGEN, GER ECJ4/7

OSAF I&L

C O N F I D E N T I A L BRUSSELS 7956

E.O. 71652: GDS

TAGS: MASS, BE

SUBJECT: BELGIUM PURCHASE OF LANCE MISSILE SYSTEM

REF: A. JULY 9 MEMCON - BOLAND, CUFFE

B. BRUSSELS 7559 C. SECDEF 7013 D. SECDEF 4519

E. VANDEN BOEYNANT'S LETTER OF SEPT. 30, 1974

F. MAAG MSG 601 DTG 04 14312 OCT. 74

1. SUMMARY-- GOB OFFICIALS HAVE STATED THAT THE LANCE PURCHASE, ALTHOUGH NOT SIGNIFICANT IN DOLLARS WILL HAVE AN IMPACT ON FUTURE MILITARY SALES SUCH AS REPLACEMENT FOR F-104. WE AGREE THAT LANCE PURCHASE ARRANGEMENTS MAY AFFECT USG NEGOTIATIONS ON F-104 AT THIS CRITICAL POINT IN THESE NEGOTIATIONS. POLICY LEVELS IN DOD AND STATE SHOULD BE ALERT TO RELATIONSHIP BETWEEN LANCE PURCHASE ARRANGEMENTS AND GOB BURDENSARING ACCOUNT AND F-104 DECISION BY GOB.

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FOR THESE REASONS, WE RECOMMEND SECDEF REPLY TO VANDEN

BOEYNANT'S LETTER OF SEPTEMBER 30 COMMITTING USG TO OFFSET
OFFER GOB CONSIDERS AGREED ON IN JULY AND PRICING IN
ACCORDANCE WITH THAT CHARGED OTHER EUROGROUP MEMBERS.

2. IN DISCUSSIONS BETWEEN GOB OFFICIALS AND AMEMBASSY/
MAAG OFFICERS, IT WAS LEARNED THAT THE DECISION TO
PURCHASE THE LANCE MISSILE SYSTEM HAD BEEN TAKEN WITH
SOME DIFFICULTY BY THE BELGIAN CABINET AND CONSIDERABLE
OPPOSITION FROM THREE MINISTERS. MR. JEAN BOLAND
STATED THAT HE HAD GIVEN HIS PERSONAL ASSURANCE THAT
THE UNDERSTANDING BETWEEN THE BELGIAN GOVERNMENT AND
THE U.S. GOVERNMENT REACHED IN HIS JULY 9 CONVERSATIONS
WITH THE DEFENSE DEPARTMENT IN WASHINGTON WOULD
BE FULFILLED (REF A).

3. BOLAND FURTHER STATED THAT THERE WAS CONSIDERABLE
SKEPTICISM IN THE BELGIAN GOVERNMENT ON U.S. OFFERS
OF ECONOMIC COMPENSATION BECAUSE OF THEIR EXPERIENCE
WITH LOCKHEED ON THE PURCHASE OF THE C-130. HE AGAIN
STATED IN STRONG TERMS THAT THE U.S. PERFORMANCE ON
THE LANCE MISSILE SYSTEM OFFSET WOULD HAVE A STRONG
BEARING ON BELGIAN ATTITUDES TOWARDS THE OFFSET
PACKAGE BEING OFFERED FOR THE F104 REPLACEMENT (REF B).
HE REQUESTED DOCUMENTATION SETTING FORTH THE USG
COMMITMENT ON LANCE OFFSET WHICH COULD BE PRESENTED TO
HIS GOVERNMENT.

4. BASED ON HIS JULY 9 CONVERSATION IN WASHINGTON AND
SECDEF 7013 (REF C), BOLAND IS CONVINCED THE USG
COMMITTED ITSELF TO INCLUDE AT A MINIMUM THE FOLLOWING
ITEMS IN THE LANCE ECONOMIC COMPENSATION PACKAGE:

(A) THE PURCHASE OF THE LANCE MISSILE WOULD BE
COUNTED AGAINST BELGIUM'S BRUDENSHARING ACCOUNT
IN THE AMOUNT OF \$17 MILLION TO MAKE UP THEIR
DEFICIT FOR FISCAL YEAR 1974. WITH REFERENCE
TO DECDEF 3071 (REF D) STATING THAT THE LANCE
PURCHASE WOULD PROBABLY NOT QUALIFY FOR THE FY
1974 DEFICIT, IT SHOULD BE NOTED THAT IT WAS
BOLAND'S CLEAR UNDERSTANDING FROM HIS JULY 9
MEETING (AFTER THE ACCOUNTS HAD PRESUMABLY BEEN
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CLOSED) THAT THIS WOULD BE COUNTED FOR 1974.
IT IS OUR UNDERSTANDING THAT THE ADDENDUM
DESCRIBED (REF D) WILL NOT SATISFY GOB.
(B) THE OPTION TO BID ON 15 PERCENT OF LTV'S SHARE
OF THE LANCE MISSILES PURCHASED BY BELGIUM.
(C) A LICENSE TO PRODUCE THE 106MM RECOILLESS RIFLE
AND AMMUNITION BY BELGIUM AND THIRD COUNTRY
MARKETS.

5. GENERAL BASTOGNE, CHEF DU CABINET OF MOD, HAS REQUESTED CLARIFICATION ON THE PRICE INCREASE QUOTED IN REFUSED LETTER OF OFFER FOR THE LANCE MISSILE SYSTEM (REF F). HE SAID THAT BELGIUM HAD COMMITTED \$2 MILLION DURING THE GOVERNMENT CRISIS, TO CONTINUE TO PARTICIPATE IN THE COMMON PURCHASE OF LANCE. IT IS HIS FURTHER UNDERSTANDING THAT THE OTHER MEMBERS OF THE LANCE EUROGROUP DID NOT RPT NOT RECEIVE THE PRICE INCREASE. GENERAL BASTOGNE INDICATED HE WOULD ACCEPT ADDITIONAL COSTS IF OTHER EUROGROUP MEMBERS ALSO PAID THEM.

6. THE EMBASSY REALIZES THAT THE LANCE PURCHASE IN ITSELF IS NOT SIGNIFICANT IN TERMS OF DOLLARS. HOWEVER, AS THE SAME PEOPLE WHO WERE RESPONSIBLE FOR THE PURCHASE OF THE LANCE MISSILE SYSTEM ARE RESPONSIBLE FOR ALL MILITARY PROCUREMENT, INCLUDING THE F-104 REPLACEMENT, AND GIVEN MR. BOLAND'S REPEATED STATEMENTS THAT THE U.S. GOVERNMENT'S PERFORMANCE ON THIS WILL BE AN IMPORTANT FACTOR IN DETERMINING THE U.S. GOVERNMENT'S CREDIBILITY IN SUBSEQUENT OFFSET OFFERS, WE STRONGLY URGE THAT THE U.S. GOVERNMENT MAKE EVERY EFFORT TO WORK OUT A SATISFACTORY AGREEMENT ON THE LANCE PURCHASE.

7. ACTION REQUESTED:

(A) IT IS RECOMMENDED THAT FURTHER EFFORTS BE MADE TO PROVIDE THE LANCE PURCHASE OFFSET ALONG THE LINES OF THOSE INDICATED IN THE JULY 9 MEMCON, E.G. LANCE SUB-CONTRACTOR OFFSET (PARA 3 OF REF A).

(B) EVERY EFFORT BE MADE TO ASSURE THAT BELGIUM IS NOT DISCRIMINATED AGAINST IN COMPARISON WITH
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OTHER EUROGROUP MEMBERS IN TERMS OF THE PRICE THEY ARE ASKED TO PAY FOR THE LANCE (SEE REF F).
(C) SUGGEST DECDEF LETTER TO MOD RESPONDING TO HIS LETTER OF 30 SEPTEMBER (REF E) STATING THE OFFSET COMMITMENTS AND CANCELLATIONS OF PRICE INCREASE. FIRESTONE

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